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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon Meeting with Vladimir Putin,
President of Russia (U)

PARTICIPANTS: United States
The President
Condoleezza Rice, Secretary of State
Nicholas Burns, Under Secretary for
Political Affairs
Ambassador Susan Schwab, United States Trade
Representative
Joshua Bolten, Chief of Staff
Stephen Hadley, Assistant to the President
for National Security Affairs
Dan Bartlett, Counselor to the President
Tony Snow, Press Secretary
Tom Graham, Special Assistant to the
President and Senior Director for Russia
Peter Afanessenko (interpreter)

Russia
President Putin
Sergey Lavrov, Minister of Foreign Affairs
Sergey Ivanov, Minister of Defense
Igor Ivanov, Secretary of the Security
Council
Sergey Prikhodko, Foreign Policy Adviser to
the President
Yuriy Ushakov, Ambassador to the
United States
German Gref, Minister of Economic
Development and Trade
Igor Neverov, Director, North American
Department, Ministry of Foreign Affairs

DATE, TIME: July 15, 2006, 1:05-2:20 p.m., Strelna,
AND PLACE: Russia

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Classified by: V. Phillip Lago
Reason: 1.4(b)(d)
Declassify on: 7/18/16

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President Putin: We deserve lunch. (U)

The President: It was a good press conference. I was surprised they didn't drill in on the Middle East. The American press asks about it all the time. (U)

President Putin: The Russians and the Americans asked one and the same question about Iran. (U)

The President: When do the other leaders arrive? (U)

President Putin: Starting in an hour. We will have a good evening tonight. (U)

The President: I bet we will. What do we have to discuss? (U)

[gap]

The President: Vladimir, would it be helpful if Susan explained where we are on the WTO? (U)

President Putin: Yes, but it will prevent them from eating, but then they weren't working either. (U)

The President: They were working hard. (U)

President Putin: You can't force women to work too hard. (U)

Ambassador Schwab: There were tough negotiations. We made a lot of progress, and we are close to being done. Three tough issues remain: financial services, intellectual property rights, and sanitary and phytosanitary issues for market access of agricultural goods. We are done on two of the three other than minor details. We are 85-90 percent done with the agreement. The only reason nothing is ready to sign today is that the Russian Federation wants a three-month agricultural inspection related to beef and pork. We respect your decision to do the inspections. When they are done in October, I am confident we will resolve all the remaining issues and be done. (S)

President Putin: The most important thing is that we don't raise new issues. (S)

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Ambassador Schwab: We would like to lock in everything, freeze decisions on which we agree, and work on what is left. There should be no going backwards, no new issues. (S)

President Putin: There is another opinion in our government. We can't comply with unilateral obligations, including quotas on meat. I would like to let Gref discuss this matter. He is attacked in our country more than you are. (S)

The President: Wait until we publish our agreement. Trade agreements are tough. Merkel wanted me to visit a village, and this farmer comes up to me and says, "Leave us alone in the WTO." (S)

President Putin: Some in our country say the same thing. (U)

The President: It's hard to reach agreement. It scares some people. I was in South Korea, and some don't want a bilateral agreement with us. (S)

President Putin: The same is true here. (U)

The President: Agriculture is always the last issue to be resolved. It's the toughest. (U)

Minister Gref: I hope we can agree to a protocol at the end of October. Mr. President, speaking honestly, I had thought earlier that Americans were pragmatic people. (S)

President Putin: As the host, I forbid attacks on the United States here. (U)

The President: It's OK, Gref. You can fire away. (U)

Minister Gref: The issues over which we can't agree, the import of U.S. beef and pork into Russia, is a matter of \$10 million. It's small. It's like our insisting on having low tariffs on bananas because we want to supply bananas to Africa. The issues we have agreed on are matters of billions of dollars. We have agreed to a significant liberalization of the Russian market, broader access for U.S. goods. From the strategic standpoint, it is important for both countries that Russia join the WTO. (S)

The President: I agree. (U)

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Minister Gref: I hope we reach agreement in October. We can't continue to deceive public opinion. (S)

President Putin: Oh, yes we can. (U)

The President: I haven't been paying close attention to the issue of inspections. (S)

President Putin: I'll answer. According to our rules, we need to inspect every carcass if the meat is to be used for retail. You send your meat here for wholesale reprocessing. (S)

Ambassador Schwab: We sell nothing to the retail market, only to wholesale. But we would like to sell to both. (S)

President Putin: Your vets say that if it is deeply frozen, it will kill all infectious organisms. Our vets don't agree. This issue concerns the safety of our people. Our specialists want to verify that your process kills infectious organisms. (S)

The President: This sounds like Japan. (U)

President Putin: I am like a Japanese. I practice judo. (U)

The President: We have the same question with Japan. (U)

President Putin: We are ready to compromise. The meat that is boneless can be used for retail, but not that on the bone. We want to initial the agreement now and have it come into affect after the inspections. But you don't like that option. You want to wait until after the inspections to do anything. If that's the way it has to be, it's not a tragedy. (S)

The President: We could initial everything that we have agreement on. (U)

Minister Gref: I tried to persuade Susan to do that. (U)

Ambassador Schwab: We would be happy to initial everything that is already agreed. That's a good idea. (S)

President Putin: We agree to your approach. After the inspection procedure, your offer will come into effect. If the inspections are not finished, we won't sign. (S)

The President: We have agreement on 90 percent. Let's sign the 90 percent, and work on the remaining 10 percent. (S)

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President Putin: I agree. We can't initial the other 10 percent, if it's not agreed on. We want to do the inspections, but let's announce the negotiations are concluded. (S)

The President: Whatever works. (U)

Ambassador Schwab: We should initial everything that is agreed. We should initial a work plan on the handful of issues left. We expect them to be resolved -- they are resolvable -- when the inspections are done. (S)

President Putin: German? (U)

Minister Gref: The best guarantee is a signature. We can initial everything at the end of July. (S)

President Putin: Why can't we initial? (U)

Ambassador Schwab: We can initial anything that is agreed. As soon as we reach agreement on other things, we could initial them. (S)

President Putin: But we have agreement on all questions, except for inspections. (S)

Ambassador Schwab: We have a handful of issues left. We should be able to work them out without much trouble. We came close last night. (S)

The President: She said we need two months. (S)

President Putin: The issue isn't only meat. Meat is the toughest. There are some others left. (S)

Ambassador Schwab: Terms for aircraft leasing, for example. (S)

The President: I don't want to negotiate here. I hope she is not being too easy. (S)

Ambassador Schwab: German is very tough. He has worn out three negotiators. (S)

President Putin: That's the problem. All your negotiators start from the beginning. (S)

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The President: Actually, they do other jobs. (S)

President Putin: We would like to finish. We are fulfilling unilateral obligations. We worry there is not going to be an agreement. You prefer to take in Ukraine. The issue isn't substance, but the political environment. (S)

The President: I hope that is not the case, but I can see why you think that way. Susan is trying to ensure that the agreement can get through the Congress. (S)

Ambassador Schwab: There is also benefit to Russia. Some of the text we are working on we will take to the WTO to accelerate the multi-party agreement. (S)

[gap]

The President: Thanks. (U)

-- End of Conversation --

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